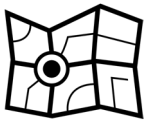


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China Risk Mitigation Guide

Soy



This tool has been developed by NEPCon under the project “Responsible Sourcing of Soy, Palm Oil and Cattle” with support from DANIDA, Ministry of Foreign Affairs of Denmark.



COUNTRY SPECIFIC
TOOLS



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DANIDA, the Embassy of Denmark has supported the development of this material, however DANIDA is not responsible for any views or claims presented in this material.

China Soy Risk Mitigation Guide

NEPCo has evaluated the risk of illegality in China Soy supply chains across 5 categories:



Business Issues



Social Issues



Environmental Issues



Conversion



GMOs

We identified risk relating to business issues, social issues and environmental issues. This Soy Risk Mitigation Guide provides advice on how to mitigate the risks identified.

Soy source types and risks

There are three soy source types found in China. Knowing the “source type” that soy originates from is useful because different source types can be subject to different applicable legislation and have attributes that affect the risks. We have analysed the risks for all source types and found the risks differ between them.

Farm collectives	All land in China is still owned by the government, farm households are given use rights via collective leases by the village authorities. This enables them to cultivate specific parcels of land. Average farm size is 0.6 hectares.
State-owned farms	There are a few large state-owned and state managed soy farms located in Heilongjing province.
Organic farms	Commercially run by state owned organizations or private companies who lease the land from Farm collectives. To market organic soy farms, must obtain an organic agri-product certification recognized by the government

Map your supply chains

To effectively evaluate and mitigate risks in your supply chain, it is necessary for you to know where the source originates. This will allow you to determine your source type and mitigate the risks associated with that source type. As risks have been identified with all source types, supply chain mapping is necessary to further evaluate, specify and mitigate the risks.



The **Supply Chain Mapping Tool (DD-07)** can be used to record supply chain information at a detailed level.



The **Supplier Management Form (DD-04)** can be used to maintain a complete supply chain overview.



Business Issues

The following two risks have been identified related to business issues in China:

1. For farm collectives, there is a risk of unclear and unfair management and administration of land use allocation and land use rights. This is due to: missing regulations about the duration of the agricultural land use rights for the farmers; frequent land readjustments in response to changes in households; no uniform land contract and certificate existing; no specific rules for the farmers to be compensated when land is taken from them.
2. For farm collectives, there is also a risk of incomplete, scattered or inconsistent land registration in rural areas, mainly due to the dispersal of land registration with so many administrative departments and the exodus of farmers into urban areas.

Risk	Mitigation recommendations
<p>Unclear and unfair management and administration of land use allocation and land use rights. Incomplete, scattered or inconsistent land registration in rural areas.</p> <p><i>Note: only applicable to farm collectives</i></p>	<p>Obtain and verify Land contracts [State-Owned Land-Use Rights (Supplementary Grant Contract for Allocated Land-Use Rights) & Grant Contract for State-Owned Land-Use Rights (Grant Contract for a Parcel of Land)], issued by the provincial or municipal (county or township) government. Must be registered at the relevant authority: either the province, county/municipal or township level.</p>



Social Issues

The following two risks have been identified related to social issues in China:

1. For farm collectives and state-owned farms, there is a risk that the laws protecting the Health & Safety are not always complied with for the peasants employed by the farms. Most of the peasants working in rural areas do not know their rights and thus work under conditions that may pose a high risk to their health.
2. For all source types, there is a risk that the ILO Fundamental Conventions are not upheld. Businesses in China may not uphold the ILO Conventions because China has ratified only four ILO Conventions and has not always successfully implemented them.

Risk	Mitigation recommendations
<p>Laws protecting the Health & Safety are not complied with for the peasants employed by the farms.</p> <p><i>Note: Applicable only to farm collectives.</i></p>	<ol style="list-style-type: none"> 1. The farm owners/managers shall be able to demonstrate the existence and maintenance of a health and safety procedures document, in line with national laws and regulations. 2. The farm owners/managers shall be able to demonstrate, upon request, the existence and maintenance of the following: <ul style="list-style-type: none"> ○ Training Records for safe operation; ○ Evidence of Accident Insurance to cover all workers; ○ Work permit for special occupations; e.g. chainsaw operator; ○ Accident records and related administration procedures and measures 3. Inspections of farming cooperative sites shall verify the implementation of safety training and health and safety procedures (this should especially be done during harvesting season):

	<ul style="list-style-type: none"> ○ Interviews with relevant staff/workers shall provide confidence that they are aware of procedures and have participated in training; ○ Interviews with staff/workers engaged in special areas of work shall provide confidence that they have attended specific training, have secured the relevant qualification certificate for the work and have access to safety equipment; <p>4. Field observations to harvesting sites shall verify the correct implementation of health and safety procedures.</p>
<p>ILO Fundamental Conventions are not upheld</p>	<ol style="list-style-type: none"> 1. Obtain and verify the organisations policies and compliance system (a way of ensuring the policy is implemented) that covers the ILO Core labour conventions. The policy should explicitly prohibit child labour and set a minimum age for employment consistent with the law. As China has not ratified ILO Conventions No. 87, No. 98, No. 29 and No. 105, ensure policy covers the following areas, as these are not enshrined in Chinese law: <ul style="list-style-type: none"> ○ Freedom of Association and Protection of the Right to Organise; ○ Right to Organise and Collective Bargaining; and ○ Forced Labour. 2. Consult Staff/workers, interviewed during harvesting season, confirm that staff are aware of the policy and compliance system in place that cover the ILO Core labour conventions, and that it is followed in the field. 3. Carry out on-site verification to confirm that the policy and compliance systems that cover the ILO Core Labour conventions are followed in the field by inspecting farming cooperative sites.



Environmental Issues

The following two risks have been identified related to the soy harvesting regulations in China:

1. There is a risk of farm collectives and state-owned farms causing significant water pollution because of heavy use of fertilizers and pesticides and/or mishandling of agro-chemicals.
2. There is a risk of soil erosion and loss of soil productivity especially in the black soil region in China because of desertification that persists despite efforts to reduce it.

Risk	Mitigation recommendations
<p>Significant water pollution because of heavy use of fertilizers and pesticides and/or mishandling of agro-chemicals.</p>	<ol style="list-style-type: none"> 1. Evidence of Rural Environmental Registry approved by the relevant competent authority. 2. Obtain a map of the production area, verify that the soy is sourced from areas where best practices of farm management are applied, including pesticides, fertiliser and chemical use. This should include consideration of: <ul style="list-style-type: none"> ○ Crop and Soil Management Strategies ○ Conservation Buffers ○ Integrated Pest Management (IPM) ○ Selecting Appropriate Pesticides ○ Proper Pesticide Mixing and Loading Procedures ○ Proper Application Procedures ○ Irrigation Management ○ Proper Pesticide Storage

	<ul style="list-style-type: none"> ○ Proper Disposal of Pesticides and Containers <p>3. Consultations with local farm cooperative and residents to confirm on the occurrence (or lack thereof) of environmental issues on soy farm lands.</p>
Soil erosion and loss of soil productivity.	<p>1. Obtain a map of the production area. Verify that the material:</p> <ul style="list-style-type: none"> ○ Does not originate from mapped watersheds that are supplying local communities with drinking water, OR ○ Is sourced from areas where best practices of farm management are applied, including water course buffers, equipment restrictions, road building, protection against contamination, pesticides use.; OR ○ A <u>High Conservation Value (HCV)</u> assessments and HCV conservation management plan is in place.

About

Responsible Sourcing of Soy, Cattle and Palm Oil

Responsible Sourcing of Soy, Cattle and Palm Oil is a project aimed at creating awareness and capacity among Danish companies to minimise risks of social and environmental problems connected to sourcing palm oil, soy and cattle from developing countries. The project is run by NEPCon and SEGES and funded by DANIDA, Ministry of Foreign Affairs of Denmark.



NEPCon (Nature Economy and People Connected) is an international, non-profit organisation that builds commitment and capacity for mainstreaming sustainability. Together with our partners, we foster solutions for safeguarding our natural resources and protecting our climate.

NEPCon | info@nepcon.org | www.nepcon.org